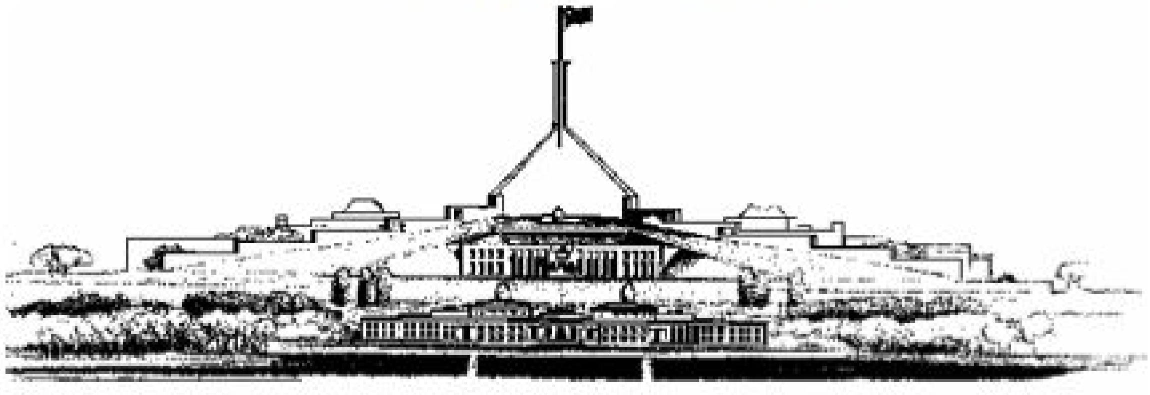
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

Broadcasting Legislation Amendment (Television and Radio Licence Fees) Bill 2016

Second Reading

SPEECH

Monday, 7 November 2016

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Monday, 7 November 2016	**Source**	House
Page	22	**Proof**	Yes
Questioner		**Responder**	
Speaker	O'Brien, Ted, MP	**Question No.**	

Mr TED O'BRIEN (Fairfax) (11:56): The context for the measures in the Broadcasting Legislation Amendment (Television and Radio Licence Fees) Bill 2016 is change—change driven by the information revolution; change in communications technology; change that is having a dramatic impact on the competitiveness of traditional media platforms. This bill is part of a broader package of reforms that has as its aim the freeing up of our traditional platforms to better compete in a vastly changed environment dominated by the internet—a truly instant and global means of communication. This measure, the first in the package to be brought to the parliament, sees a 25 per cent reduction in the licence fees paid by commercial television and radio stations—fees that have long been based on a proportion of gross earnings. This measure, which was part of the 2015-16 budget, reflects the government's acceptance that those earnings have been under increasing threat as the reach of new technologies widens.

The onset of these challenges has been rapid, especially in light of the long period of stability that preceded it. For at least 120 years from 1803, when the first Australian newspaper was published, until the first radio transmission in 1923, access to news reporting was restricted to the printed word, and our timetable here in Australia was pretty much the same as was experienced by the rest of the world—based on the invention of the printing press in the 15th century. That is a very long time with just one platform. It was radio that began the phenomenon of instant accessibility, but even that took some time to develop, with the first live call of the Melbourne Cup not until 1925, and it was not until the 1930s that test cricket was broadcast. This was at a time when the total number of people listening could be measured in tens of thousands. In fact, the first issue of licences attracted just 1,400 listeners. Radio obviously grew exponentially, and then in the 1950s—in 1956, to be exact, the year of the Melbourne Olympics—we entered the television age. So the familiar format of the media businesses that have dominated our access to news and entertainment ever since came into play: print, radio and TV. These formats, through which most people have consumed their news, gossip, information and entertainment—whether it was the racing form, the TV guide or the footy results—were left unchanged until relatively recently.

While the internet came into play, at least in a technical sense, in 1989—and that is not quite 30 years ago—as with radio and television it has taken some years for the power of that transformative technology to take root and become a part of our lives. Over the past decade in particular, it has transformed the media landscape like no other development—some would argue, in fact, no other development in the history of humankind. With access to the internet increasingly via our handheld devices, established media formats that have so dominated our lives—print, radio and TV—will never again enjoy the dominance they have had to date. They are still in the mix, but each has been dramatically challenged for audiences and for revenue and thus for profitability and thereby just survival. News, entertainment and information have become so globalised and so accessible, so quickly, by this new suite of technologies that the business models of our traditional media platforms have been transformed. In fact, they have been turned on their heads.

In this era of change, adaptability is the only viable strategy. Newspapers are adapting by increasingly moving content online, and the printed version of newspapers is now under a far bigger threat even than that which was created by television. Fairfax has quite openly flagged that the weekday editions of *The Sydney Morning Herald* and *The Age*, two of the oldest, best known titles in the country, will soon most likely go digital. Rupert Murdoch has said that News Corp is not in the business of printing words on dead trees, as it doubles its efforts on content creation. Even in my home region, the legendary *Sunshine Coast Daily* newspaper only recently stopped printing it Sunday edition. Radio is responding. It is streaming, as is television, but the threat to radio and TV is arguably as great as it is for newspapers.

The challenge for all is to keep their businesses as going concerns. For all the traditional platforms, this boils down to revenue. The globalised internet has brought globalised players and global business models that exploit the fact that, with this format, the internet, they no longer suffer that long-held challenge, that long-held trade-off that other media outlets have made over the years between richness and reach—richness of content and reach to audience. And, having broken that, the internet continues to grow and steal more and more market share and revenue from the traditional platforms. For the traditional media companies, making a buck has become harder and harder.

Morgan Stanley recently conducted a study and suggested that this financial year global internet businesses will achieve about 35 to 40 per cent of advertising revenue in Australia, around $4 billion to $5 billion of a $14 billion market. By 2020 the possibility is that their share—we are talking here about the likes of Google, Facebook and Instagram—could be over 50 per cent. Morgan Stanley is inevitably right. This takeover is gathering pace. The share of the internet based multinationals grew by 25 per cent last year, and clearly it is going to keep growing. Everything we have seen in this area over the past decade suggests that internet based media is almost a tsunami for the traditional platforms. The record, let alone the predictions, underscores that fact. In 2012, for example, online advertising revenue was the equivalent of total advertising revenue for both newspapers and magazines combined. In 2012, the ad revenue share of newspapers had declined from almost 40 per cent a decade ago to less than a quarter.

Radio and TV revenues have been more stable, but they know they are next, and their growth in revenue is in the process of stalling as the competition for advertising and audiences escalates. The prediction in the Morgan Stanley work was that TV will flatline and radio will maintain modest growth in revenues for a few more years and then decline. These forecasts do not constitute a viable business outlook, especially for companies in a sector that the market typically rewards for their future growth predictions, their future growth expectations. Something has to give if we are to continue to have a vibrant, homegrown traditional media sector that is built around an Australian, not a global, audience.

As members in this chamber are aware, the government is proposing a range of measures to assist our traditional media companies to deal with these extraordinary challenges. The measure in this bill, which significantly reduces licence fees, is one of a suite of measures, several of which will be dealt with in a subsequent bill. Calls from the industry for relief from licence fees have been growing over recent years, and they have a compelling case for reduction, at least at two levels. One is the need to free up more capital to remain competitive against those companies that are beyond the reach of our licence fee system. The other is on the basis of a comparison of the level of these fees charged in other countries. The member for Greenway, who spoke prior to me, alluded to this. In Britain, for example, the fee paid is under 0.2 per cent. Our current maximum rate is 4.5 per cent for television, down from nine per cent in 2013, and our current maximum rate for radio is 3.25 per cent. You can see that the 25 per cent reduction enabled by this bill is both a significant one and a very much warranted one.

The reduction that this bill proposes is not the reduction to zero that the industry generally calls for. The responsibility of the government on this matter is not solely to the industry; we also have a responsibility to the taxpayer. This measure will have a bottom line budgetary impact of $163 million over the forward estimates. It would have been nice to have been more generous, but the state of the budget and the need for fiscal repair, given the debt and deficit legacy of the former Labor government, mean that this measure is the best the government believes can be accomplished at this time. This bill should not only assist the industry but also give it confidence that the government knows and understands the scale of the challenges it faces. We have indicated that we will continue to look at this issue in the context of broader reforms that the industry seeks, and those will be dealt with in another bill.